REMARKS/ARGUMENTS

Claims 10 through 19 are pending. The previous version of claim 10 has been withdrawn and new amendments to claim 10 are submitted with this response, claim 11 has been cancelled, and a new claim 19 has been added.

1. Claim Rejections under 35 USC § 112

The examiner rejects all pending claims on the ground that the phrase "if needed, in order to earn money to provide the items of value" is not clear in that the examiner contends that the feature is not disclosed by the specification. In fact the feature is disclosed in the specification which provides that the "[o]perations server 106 is coupled to hedge operations server 130 to send information about transactions being made by users, individually or in the aggregate, to allow hedge operations server 130 to generate requests for trades **as needed to hedge the risk of payouts for and investment program**" (emphasis supplied). (See, Specification page 6, lines 7 through 10; and FIG. 4, step 4: "Execute hedging trade, if needed").

2. Claim Rejections under 35 USC § 103

With respect to the examiner's observation that the claims do not recite the feature that the hedge operations server is used to make actual trades, applicants have amended claim 10 to provide the step of "sending information about the simulated trades from the simulated trading system to a hedge operations server, said information for use by the hedge operations server in executing actual trades as needed in order to hedge the risk of needing to earn money to provide the items of value". In this regard, applicants respectfully submit that the prior art of record does not disclose, either alone or in combination, the feature of using hedging trades to offset the risk of needing to provide items of value to users of a simulated trading system.

More specifically, to the extent that the examiner continues to believe that APA, Shyla and Selleck in combination disclose applicants' invention as set forth in claim 10 (as currently amended), applicants respectfully disagree. None of the cited references disclose a simulated securities trading system in which a participant is paid a reward based upon the net profits the participant would have received had the trades been actual trades, rather than simulated trades. Further, none of the cited references disclose that information about a participant's simulated

trades is utilized by a hedge operations server to execute actual trades in order to hedge the risk of needing to generate money to pay the net profits. The Selleck reference discloses "simulated trading forums" in which participants, who are interested in using an internet site to make actual trades, are able to practice using the site without being at financial risk for the trades. After using the forum, the participants are then permitted for a fee to start making actual trades in which they are at financial risk. This reference is readily distinguished from applicants' invention. Applicants' trading system does not require that a participant pay a fee to participate in the simulated trading and, most significantly, a participant executing simulated trades in applicants' trading system is paid his or her net profits over a trading period, while in Selleck the participants in the forum are not similarly paid for their simulated trades. There is absolutely no suggestion in Selleck to the effect that in might be beneficial to pay the forum participants their actual net profits in order to encourage them to use the system. In fact, if the participants using the forum service in Selleck were paid their net profits, those participants would most certainly not be motivated to use the actual trading service being offered and the business model would fail. In short, there is nothing is Selleck to suggest a motivation to combine it with APA and/or Shyla in order to disclose the feature of applicants' invention of paying simulated traders their net profits, just as if they had been executing actual trades and with no risk of being financially responsible for their losses.

In connection with claim 11 (cancelled and incorporated into claim 10) the examiner concedes that APA, Shyla and Selleck do not disclose paying participants an item of value equal to all of any representative net profits over an investment period. However, the examiner contends that it would have been obvious to modify the references to include the incentive of paying net profits to participants, because it would encourage participants to use the system more and thus increase the system operator's profits. But, as pointed out above, if Selleck were modified to pay the forum participants their net profits the business model would fail. Shyla, on the other hand, involves the payment of a grand prize in a predetermined amount to a single investor out of a group of investors who out performs all other investors in the group. How would it be possible to retain the risk limitation features of Shyla if, rather than paying a single investor a grand prize, *all* investors are paid a grand prize equal to their representative net profits? The answer is that it would not be possible. Paying all of the investors in Shyla their net profits would not involve a mere "business choice" as asserted by the examiner. It would not be

possible to do so without some additional way to limit the operator's nearly unlimited risk if all or most of the simulated trades end up in the money. Applicants' have solved this problem by providing the additional feature of using information about the participants simulated trades to execute actual trades to hedge the risk associated of having to pay all participants their representative net profits.

In this regard, APA, Shyla and Selleck references do not disclose, either alone or in combination, the novel feature of using a hedge operations server to execute actual trades in order to hedge the risk of having to pay one or more participants engaging in simulated trades their representive net profits over an investment period. In fact, paying such participants their net profits is simply not a notion that is even contemplated by the references. Rather, the APA and Shyla utilize an entirely different method to motivate, award, and mange the risk of payouts to participants: they are paid an amount that is fixed and communicated to the participants before they commence trading. On the other hand, since applicants' invention awards its participants based upon the net profits that the simulated traders would have received had they been executing actual trades, it is not possible to know in advance what the total risk of payouts might be. Applicants' novel and unobvious solution to this problem is to provide information about the participants' trades to a hedge operations server, which is used to execute actual trades as needed to hedge the risk of needing to pay the participants their net profits.

CONCLUSION

In view of the foregoing, applicants submit that all claims now pending in this application are in condition for allowance, and the issuance of a formal Notice of Allowance is requested.

If the examiner believes that a telephone conference would expedite the further prosecution of this application, please contact the undersigned at (415) 456-4116.

Respectively Submitted,

Jay P. Hendrickson, Esq.
(Reg. No. 37,147)

Dated: August 6, 2007